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MILITARY MANPOWER AND THE ALL-VOLUNTEER FORCE--TESTIMONY BEFORE--ETC(U)

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FEBRUARY 15, 1978

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MILITARY MANPOWER AND THE ALL-VOLUNTEER FORCE--TESTIMONY BEFORE THE
HOUSE ARMED SERVICES COMMITTEE (SUBCOMMITTEE ON MILITARY PERSONNEL):
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Richard V.L. Cooper
The Rand Corporation

Mr. Chairman, and members of the Subcommittee, it is indeed a privilege to appear before you this morning to discuss my research on military manpower and the all-volunteer force.

I would like to state at the outset that I do not appear before you this morning as either an advocate or an opponent of the volunteer force. Although I do hold personal opinions on many of the issues, my testimony this morning reflects my views as an analyst. Quite frankly, I was not committed to either side of the debate when I began my research on the volunteer force more than four years ago. However, the one thing that I did find from my early research was that the then emerging debate about the all-volunteer force seemed to be badly missing the mark. Accordingly, my early research was initially directed toward finding out what was really happening and why.

It is in this respect that I would like to share with you this morning some of my views on three major topics: First, the reasons underlying the removal of the draft; second, the results from the first five years with an all-volunteer military; and third, the implications of this early experience for the future of the all-volunteer force in particular, and military manpower in general.

In this regard, I have prepared a written statement (See Richard V.L. Cooper, The All-Volunteer Force: Five Years Later, The Rand Corporation, P-6051, December 1977) that I would like to submit for the record, but rather than read it in its entirety, I would like to briefly highlight some of the key points.

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Although the All-Volunteer Force is frequently viewed as an outgrowth of the Vietnam War, the move to end the draft actually had much deeper roots. To be sure, the Vietnam War did play an important role in the Sixties' draft debate, especially in dramatizing the key issues. But the basic policy problem of the Sixties can be traced to the growing inequities of the selective service draft--inequities created by the selective way that the burden of military service was applied to young men of military age.

This selectivity came as a result of some simple demographic trends: specifically, increasing numbers of young men reaching military age each year and constant (or decreasing) force sizes meant that a smaller proportion of the military-aged cohort would actually serve. In fact, by the mid-1970s only one out of every four or five would ever have to serve in the military. Coupled with the pay discrimination toward military recruits that characterized the postwar draft, the demographics of a growing military-aged population meant that a decreasing proportion of the population would have to bear an increasingly large burden--and, thus, the inequity.

The Gates Commission argued persuasively that those forced to serve should not have to pay a large financial price in addition to the other burdens of involuntary servitude, and thus recommended that first-term military pay be raised to a level comparable to that earned by similarly aged and educated civilian workers. Congress concurred and raised first-term pay in 1971. Interestingly, by raising pay to this level, the Services would be able to attract enough volunteers such that a draft would no longer be necessary. In other words, an all-volunteer military would not require any extraordinary measures;

it basically meant improved management and the payment of a "market wage" to new recruits.

This review of the past is important, not because it is an interesting part of our history, but rather because these same factors that led to the removal of the draft in the early 1970s--that is, a large military-aged population and moderate military force requirements--are likely to be present throughout the remainder of this century.

The decision to end the draft is, of course, past, so the issue now becomes one of assessing how well the volunteer force has done. Specifically, has the volunteer force worked as well in fact as was predicted by theory? Consideration of the early AVF experience is motivated further by the fact that the volunteer force has not been without its own debate and controversy.

Yet, perhaps the single most important conclusion to emerge from these last five years is that the volunteer force has worked. The first few years without conscription have shown that military services can attract a socially representative mix of the desired quantity and quality of new recruits without the pressure of the draft and at a cost substantially less than commonly assumed. Moreover, the overall success of the volunteer force thus far does not appear to be the result of high unemployment rates, though these clearly aided the recruiting effort, but rather can be attributed to the fact that military service apparently continues to be seen as an attractive employment option by a broad cross-section of American youth. Let me be a bit more specific.

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Paramount among the issues raised during both the draft debate of the 1960s and the AVF debate of the 1970s has been whether the military would be able to attract a sufficient number of volunteers without a draft. Despite initial concerns, the Armed Forces have fared quite well in terms of their quantitative recruiting objectives. With few exceptions, the Services as a whole have been successful in attracting the 400,000 or so new recruits each year that they have deemed necessary to meet force requirements. (See Fig. 2 in P-6051.) Indeed, actual supply under the volunteer force closely matches what the Gates Commission originally projected that it would be. Stated differently, this means that one of the key parameters initially used to judge the viability of a volunteer force--that is, enlistment supply without a draft--has in fact proved to be correct.

Looking ahead, however, supply and demand projections (Fig. 3 in P-6051) show that the future success of the volunteer force depends critically on the Services' demand for new recruits, not just on enlistment supply. Based on the Services' own projections of their future recruiting needs, analysis indicates that the military will successfully weather the 1980s decline in the population of military-aged males only if youth unemployment remains high.

There is a fundamental problem with this approach, however, in that it takes the Services' projected recruiting practices and needs as given. As a result of deliberate Service policies which limit the numbers of reenlistments, the military services actually have larger accession requirements--that is, higher personnel turnover--under the volunteer force than they did under the draft. But, it is important to recognize that this increased demand for new recruits is basically

policy driven--that is, it is not attributable to the volunteer force per se, but is instead a direct result of the Services' insistence on maintaining a very junior enlisted force.

If the Services' male enlisted accession requirements are instead reduced according to the original recommendations of the Gates Commission, or as my own research indicates, there will actually be a more than sufficient supply of enlisted manpower throughout the 1980s, even under the most robust economic outlook. In other words, manpower supply would not appear to be the "problem," although several recent studies do indicate that supply could be enhanced further by allowing more women to join and by relaxing some of the physical standards used to screen applicants for enlistment. The basic problem is rather one of reducing enlisted personnel turnover--and, thus, reducing enlistment demand.

Not only have the Services fared reasonably well in terms of their quantitative recruiting objectives, but the qualitative results are also very encouraging, as the quality of enlisted accessions does not seem to have changed markedly since the removal of the draft. (See Fig. 1 in P-6051.) If anything, quality would seem to have actually increased, especially since the 1974-1975 economic recession. For example, the percentage of enlisted accessions that are high school dropouts has remained at roughly the historic average--about 35 percent under the volunteer force as opposed to about 30 percent under the draft. On the other hand, the percentage of enlisted accessions falling in Mental Category IV has been cut by more than two-thirds since the removal of the draft, from 19 percent during the draft to about 6 percent under the volunteer force.

For the most part, then, concerns about declining quality under the AVF appear to be largely unfounded. The real quality issues instead concern whether the Services' current quality maximizing philosophy yields standards that are too restrictive, rather than too lenient, and whether the right balance among individual quality criteria such as mental aptitude and educational attainment is being maintained. Specifically, the evidence suggests that current quality standards are too strict, that the Services should accept more Category IV high school graduates, and probably relax some of the medical standards used to screen applicants for enlistment.

Turning to the question of social representation, we find that black participation in the the Armed Forces has in fact risen significantly during the past 15 years, but that this increase is largely unrelated to the volunteer force per se. It is instead due mainly to the increasing number of blacks found eligible for military service. (See Table 1 in P-6051.) Specifically, although blacks continue to score less well on mental aptitude screening tests than whites, the proportion of blacks failing to qualify for military service has decreased significantly over the past 20 years. Because of this, the black proportion of the prime manpower pool--that is, Mental Categories I-III--have increased from a little under 3 percent in 1960 to more than 7 percent today. This is an increase of more than 2 1/2 times.

Moreover, the increasing proportion of blacks in the force is not an indicator that the AVF has resulted in an army of the poor, as there are as many new recruits from middle and high income areas under

the volunteer force as there were during the lottery draft, presumably the most socially representative period of conscription. (See Table 2 in P-6051.) Also, the regional composition and urban-rural makeup of the force under the AVF are remarkably similar to what they were under the draft. In other words, the military apparently continues to draw a socially representative sample of American youth.

If we next consider costs, it is easy to see why manpower costs in general and the presumed cost of the volunteer force have become so important. However, the attribution of these costs to the volunteer force is plainly incorrect. Focusing for a moment on the amount that is paid to defense personnel, we find that the factors leading to the considerable growth in manpower costs can instead be traced to events that began nearly three decades ago. For example, whereas the military had historically relied on a 30-year career, the immediate post-World War II period saw the first widespread implementation and use of the 20-year military career--a policy change that would come to have a dramatic effect on defense manpower costs about 25 years later.

Similarly, the Sixties marked the implementation of comparability pay for civilian employees of the DoD, the beginning of annual pay increases for military personnel, the so-called "catch-up" pay raise for career military personnel, and the "one-percent kicker" for adjusting Federal military and civilian retired pay. In short, the only increases in manpower costs that can even be remotely related to the volunteer force are the large pay increase for first-term military personnel implemented in 1971 and the increased bonus and recruiting costs for these individuals. Even the pay increase should not properly be viewed as an AVF cost, since the pay discrimination

historically practiced against junior military personnel ought probably to have been eliminated for equity reasons alone--irrespective of the decision to end the draft.

The end result is that the volunteer force has added only about \$300 million to the cost of defense manpower--about two-tenths of 1 percent of the defense budget. The reason why such a small proportion of manpower cost growth can be attributed to the AVF is that the draft provides very little leverage over total manpower costs today. That is, whereas the basic effect of the draft is to reduce the budget outlays for those in their first two years of service, the total cost of these personnel only amounts to about \$6 billion--just a little over 10 percent of all defense manpower outlays. (See Table 3 in P-6051.) In other words, because the draft provides little or no control over cost elements that collectively make up about 90 percent of the manpower budget, controlling manpower cost growth in the future is not really a question of draft versus volunteer.

For the most part, then, the story of the volunteer force has been a story of success. To be sure, there have been certain problems, and others remain. Perhaps the most important of these remaining problems are the reserve forces, first-term enlisted attrition, and recruiting sufficient numbers of medical doctors. Although I would be pleased to discuss any of these problem areas in more depth with you, let me summarize by saying that I think these problems are manageable and that solutions can be found. In fact, the Department of Defense appears to be well on the way to solving, or at least reducing the magnitude of some of these problem areas.

My discussion thus far has been focused on the volunteer force in the narrow sense, but the real implications of ending the draft are clearly much larger. Although conscription has not been used for some five years, to assume that the draft is entirely history is to fail to recognize the imprint that it has left throughout the defense establishment, especially on the ways that the military manages and uses its personnel. The nearly three decades of postwar conscription encouraged the military to develop and maintain patterns of manpower utilization and management that may be neither cost-effective nor equitable and, as a result, probably add needless constraints and unnecessary costs to the defense manpower system. Dealing effectively with this legacy will be one of the most formidable obstacles that the Department of Defense and the Congress must face during the next decade.

The basic problem centers on the fact that manpower--especially junior personnel--has historically been viewed as a free good. Since the draft always provided adequate numbers of personnel, there was less of a need to question the efficiency of manpower utilization. Thus, one of the most important byproducts of the volunteer force has been to provide a framework for addressing the efficiency of manpower management and utilization policies.

To date, however, the possible efficiency gains--and corresponding cost savings--have gone largely unrealized. To achieve these improvements, we must not just understand the AVF, which provides the context for improved management, but must address the major areas in need of reform: manpower requirements; compensation, retirement, and tenure policies; and military training.

Let me begin with manpower requirements, as manpower requirements are a fundamental issue in terms of both the overall cost and the overall effectiveness of U.S. military forces. In this regard, manpower requirements are in general a function of four basic factors: (1) the force structure, (2) operations and maintenance policies, (3) the amounts and types of equipment in the force structure, and (4) the types of personnel used.

In a sense, the first two can be viewed as establishing the size and organization of the defense effort, while the last two can be viewed largely as matters of resource allocation, given decisions regarding the first two. This means, then, that the allocation of defense resources among various types of personnel and equipment has a major impact on manpower requirements. Historically, the problem is that manpower costs have seldom entered as a criterion for determining either the basic structure of the force or the way that resources will be allocated in that force structure. Only when individual requirements become aggregated into major program elements of the individual Service budgets has a real concern for costs emerged. This concern, though, has often resulted in gross adjustments such as force structure cuts rather than a reallocation of resources within a given force structure. Yet, such reallocations can save billions of dollars per year without degrading force capabilities.

To illustrate, the costs of junior enlisted personnel have increased dramatically relative to the costs of career personnel as a result of the volunteer force. Yet, the Services continue to rely on the same mix of career and first-term personnel that they did

during the pre-Vietnam draft. A substitution of career enlisted personnel for first-termers would not only help reduce enlisted accession requirements, but would probably result in substantial cost savings as well. In fact, shifting from the current mix of 60 percent first-termers and 40 percent careerists to a 50/50 mix could probably yield cost savings amounting to between \$1 and \$2 billion per year in the long run.

This is only one example of the ways that resources can be reallocated within a given force structure to achieve either cost savings or capability increases. I have detailed others in my written statement. But, it illustrates how the manpower requirements process ought to be a function of the costs of particular inputs to the defense mission.

As important as the questions of resource allocation are those concerning the ways the Department of Defense manages its uniformed personnel. For example, individual military training, with costs amounting to more than \$6 billion per year, is clearly one of the key policy problems, and is recognized as such. However, most attention has been directed toward improving the efficiency of the training establishment in the narrow sense--that is, in designing better courses, reducing the student-to-staff ratio, and so forth. Equally important, though, is the impact that today's system of manpower requirements has on the magnitude of first-term enlisted training, the single largest component of the training establishment.

Specifically, first-term enlisted training costs are determined in large part by the numbers of such personnel receiving training and by course length. Shifting to a somewhat more career intensive force

could dramatically reduce the numbers of personnel that receive basic and skill training and could also lead to shorter courses. Thus, what at first appears to be a training problem is in reality a requirements problem.

The military compensation system is likewise in need of a major overhaul. With total costs amounting to more than \$40 billion, military compensation is the single largest component of defense spending and, in the absence of a draft, is perhaps the most important policy instrument available to the DoD for procuring and retaining the numbers and types of personnel needed to man the nation's armed forces. Yet, today's compensation system was basically developed for the needs of a different environment. Although there have been marginal adjustments in the compensation system, such as bonuses, to solve specific problems over the years, the end result is that the current system is a costly patchwork of separate legislative and regulatory changes that may be ill-equipped to deal with the needs of the post-draft environment.

For example, although originally intended to keep Federal pay (military and civilian alike) competitive with the civilian sector, the actual result of the current system is probably to pay far more than necessary to some personnel, while paying too little to others. Indeed, summing all of the components of the compensation package reveals that military officers who serve a full career, for example, earn about 70 percent more than comparably aged and educated civilian workers. (See Fig. 7 in P-6051.) Second- and third-term enlisted personnel who serve less than 20 years, on the other hand, earn between 10 and 20 percent less than their civilian

counterparts. (See Fig. 6 in P-6051.) The problem is that for the most part the current compensation system (and the subsequent effects) did not happen by design, but was largely an accident.

The more general implication to be drawn is that the removal of the draft presents an opportunity to make better use of defense resources--an opportunity that was not always present under, nor encouraged by, the draft. The importance of this point is dramatically underlined by the fact that the relatively modest changes that I have discussed here and in my written statement could possibly yield long-run annual cost savings of some \$5 to \$10 billion. Stated differently, without these changes the defense budget of the 1980s and 1990s will be \$5 to \$10 billion per year larger than they need to be.

Manpower cost reduction is of course a long-run proposition. The types of policies that are adopted now, for example, will have an impact for 20 years or more. Thus, although the long-run nature of the manpower problem may not provide much incentive to tackle these very difficult problems today, we have seen what happens when they are ignored--since today's enormous costs can be traced directly to events that have happened over the past three decades.

To summarize, the volunteer force can be made to fail. But it can also be made to work, and perhaps much better than its draft dependent predecessor. Whether or not its potential is realized will depend critically on the policies the military services and the Congress adopt and implement during the next 10 years, for the true test will occur in the 1980s. If this potential is not realized, society may not be willing to pay the escalating costs emanating

from the current approach and, as a consequence, may simply cut forces.

During the last part of my statement this morning I have emphasized some of the problems that remain, but it is important to recognize how much progress has already been made. The removal of the draft was a major shock, so that the fact there have been so few problems during the transition is a real tribute to the military and civilian leadership in the DoD. Moreover, the Department of Defense is continuing to work on the remaining problems. Thus, it is important to view my testimony in the proper light-- specifically, as an attempt to provide alternatives for improving a system that is already good.

Mr. Chairman, and members of the Subcommittee, I would again like to thank you for the opportunity to appear before you this morning. I would be more than pleased to answer any questions that you might have.